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State Treasurer: 2009 budget is a big challenge

State treasurer Dean Martin says the band-aid fix for this year's budget bought a little time, but the clock is ticking for lawmakers now working on the budget for fiscal 2009, which begins July 1.

``They are dealing with a projected \$2 billion shortfall and, if they don't come up with an answer in the next couple of months, literally the state shuts down," Martin says. ``There's no way to keep the state operational. We have a government shutdown."

After using most of the rainy day fund to fix this year's budget shortfall, Martin says lawmakers are running out of options.

``They'll do a little bit more fund shifts, but it's going to come down to one of two things. They're either going to have to make some reductions in spending and try to get spending back in line with what our actual revenues are or they're going to be forced to raise taxes."

The Arizona Constitution requires a balanced budget, Martin notes.

``The Constitution is very clear on this," he says. ``If they don't cover the balance, they are required to raise taxes to do this."

Martin believes legislators will come up with a solution, but just in a nick of time.

``My bet on sine die is 2 a.m. on July 1. I think this will be the longest session in Arizona history."

By percentage, Arizona's projected deficit of \$2 billion for 2009 is the largest in state history and the largest in the nation right now.

``Other states are in recession and are seeing shortfalls, but no one is in as bad a shape as we are," Martin says.

Arizona's problems are being driven by sub-prime, high-interest housing loans that will not reset until 2009 and it cannot begin digging out of trouble until that happens, Martin says.

``One way to look at our housing problems is it's kind of like somebody who partied a little too hard on the weekend. Arizona partied really hard when it came to housing, now we're dealing with the hangover, and this hangover's going to be with us for a while," he said.

He said Arizona's recession will be mild to moderate, but longer than other states.

by Jim Cross/KTAR